



Certified as a true copy

BY 
City Clerk of the City of Sunnyvale

June 21, 2005

SUBJECT: Adoption of the FY 2005/2006 Budget for the Redevelopment Agency of the City of Sunnyvale

REPORT IN BRIEF

The Sunnyvale Redevelopment Agency (Agency) is required to adopt an annual budget. It is recommended that the Agency adopt the FY 2005/2006 budget as outlined in this report.

BACKGROUND

The Redevelopment Agency was established under the provisions of the community redevelopment laws of the State of California by a resolution of the City Council adopted on November 19, 1957. In this resolution, the City Council declared itself to be the governing members of the Agency.

The Redevelopment Agency Fund accounts for activities of the Redevelopment Project Area, which is primarily the downtown area. This Fund accounts for debt service, capital projects, low-and-moderate-income housing, and general activities of the Agency. Capital projects can be long-term in nature and are often carried over to the next fiscal year. Certain transfers are made into the General Fund for repayment of the Agency's debt. Calculations for this repayment are dependent on the Agency's available resources at the end of the fiscal year, and therefore may differ from budgeted amounts.

EXISTING POLICY

Section 33606 of the California State Health and Safety Code requires that a Redevelopment Agency adopts an annual budget. Section 1304 of the City Charter requires the City Council to adopt the budget for the upcoming fiscal year on or before June 30.

DISCUSSION

Recommended FY 2005/2006 Budget

Total recommended revenue for FY 2005/2006 is approximately \$4.8 million. A breakdown of the sources of revenue to the Redevelopment Agency is highlighted below:

Revenues	FY 2005/06 Budget
Property Taxes	\$3,702,907
ERAF Cost	(269,398)
Interest Income	100,000
Miscellaneous Revenues	75,000
Rents and Concessions	1,219,558
Total	\$ 4,828,067

The primary source of revenue to the Redevelopment Agency is Property Tax increment, which is expected to total about \$3.7 million in FY 2005/2006. This amount is reduced by the shift to the Educational Revenue Augmentation Fund ("ERAF shift") of \$269,398, as proposed by the Governor's May revision to the State budget.

The Rents and Concessions revenue is received from the City of Sunnyvale, for the Sunnyvale Town Center parking structure lease agreement which was signed on May 1, 1977. The lease, as amended, requires the City to pay to the Agency base rental payments on October 1 and April 1 of each year. The lease is projected to be repaid in FY 2016/2017. In addition to base rental payments, the City is also obligated to pay all taxes, assessments, administrative costs, certain insurance premiums, certain maintenance costs, and all other such costs in order to maintain the existence of the parking structure or to comply with the terms of the related bond resolutions.

Total recommended expenditures for FY 2005/2006 are approximately \$4.9 million. Detailed below are the proposed expenditures:

Expenditures	FY 2005/06 Budget
Operating	\$206,715
Debt Service	1,789,054
Repayment to City	2,591,862
Capital Projects	140,000

Special Projects	125,000
Project Administration	3,516
Transfer Out to Employee Benefits Fund	7,939
Transfer Out to General Fund*	49,482
Total	\$ 4,913,568

* The Transfer Out to General Fund is higher than the Recommended FY 2005/2006 Budget by \$20,500 which reflects Council direction to use the Downtown Public Improvements project balance for the Murphy Avenue Tree Lights Maintenance project.

Operating Expenditures and Debt Service

Operating expenses for the Redevelopment Agency include only those activities directly related to management of the Agency. Also included in current requirements are debt service payments totaling \$1,789,054 for the Central Core Redevelopment Project Tax Allocation Refunding Bonds-Series 2003 and the 1998 Parking Facility Series A Certificates of Participation.

The Repayment to City represents payment to the City of Sunnyvale in the amount of \$2,591,862 in FY 2005/2006 for outstanding loans due to the City General Fund. At the close of FY 2003/2004 the Redevelopment Agency had outstanding loans due to the City General Fund of approximately \$48.7 million. These loans are largely the result of the Redevelopment Agency's inability to raise sufficient tax increment revenue to repay the City for annual lease payments made by the City for the downtown parking structure. The original financial plan established by the City Council in the mid-1970s was turned upside down with the passage of Proposition 13, which stripped the agency of approximately two-thirds of its property tax increment. Since that time, the State has enacted several laws that placed further restrictions on redevelopment agencies. These include capping the time period for collection of tax increment for each redevelopment project area; for Sunnyvale's project area, the final year is currently 2025. More important was the establishment of revenue limits for redevelopment agencies, referred to as property tax increment caps. The current revenue limit/increment cap for the Sunnyvale Redevelopment Agency is \$118 million.

At its May 17, 2005 meeting, Council authorized the adoption of a Resolution to Initiate an Amendment to the Sunnyvale Redevelopment Plan for the Central Core Redevelopment Project Area to Increase Tax Increment Collection for the Plan. This is part of the statutorily-required process for plan amendments. The resolution authorizes the distribution of the Draft Amendment. The proposed amendment will increase the tax increment limit and thereby increase the Redevelopment Agency's ability to repay existing bonded indebtedness and to undertake necessary public improvement projects. The negotiations with developers for the redevelopment of the Town Center Mall, as documented in the adopted Disposition, Development and Owner Participation Agreement,

anticipated that the Agency would increase the total amount of tax increment that can be collected over the life of the Plan. An in-depth discussion on this subject matter is included in the Transmittal Letter of the Recommended FY 2005/2006 Budget.

Capital Projects

In FY 2001/2002 Council approved a capital project for improvements to the Downtown area in the amount of \$1.5 million. These funds were originally generated from the sale of Parking District property for the Mozart development. In February 2005 the Council approved a program for utilizing these funds for four discrete projects:

- **Downtown Wayfinding System:** This project will develop a unified and clear signage program that directs the public within the downtown area as it is revitalized and evolves with new development and more uses. A coordinated signage program will improve the aesthetics and promote economic viability of the downtown. The total budget for this project is \$300,000. \$50,000 is budgeted in FY 2005/2006 for design and \$250,000 is budgeted in FY 2006/2007 for construction.
- **Directional Signs to Downtown:** This program will provide directional signs to the downtown along major roadways such as Sunnyvale-Saratoga Road, Mathilda Avenue and El Camino Real that are consistent with the designs used for the Downtown Wayfinding System. This project is budgeted in FY 2007/2008 for a total cost of \$100,000. \$25,000 is budgeted for design and \$75,000 is for construction.
- **Murphy Avenue Enhancements, Phase I:** This project funds improvements to Murphy Avenue. The first action will include planning for the future of the 100 block of historic South Murphy (through a study issue titled "Visual Streetscape Standards for Murphy Avenue). The idea behind the public improvements is to "freshen up" and enhance the streetscape along the frontage of the 100 block of South Murphy Avenue, the north side of Washington from Frances to Sunnyvale Avenue, and on the south side of Evelyn from the parking lot exit to Murphy Avenue. The total budget for this project is \$350,000, funded by \$275,000 in RDA monies and \$75,000 from a Transportation for Livable Communities grant. \$90,000 is budgeted in FY 2005/2006 for design and \$260,000 is budgeted in FY 2006/2007 for construction.
- **Downtown Block 2 Completion:** This project provides funds to complete the segments of Block 2 that are not part of the historic Murphy Avenue or the Frances Street Transit enhancements. Four segments include Frances, Evelyn East and West of Murphy and Sunnyvale Ave. The total

budget for this project is \$695,000. \$139,000 is budgeted for design, administration and contingencies, and \$556,000 is budgeted for construction in FY 2006/2007.

A total of \$1,370,000 is programmed in FY 2005/2006 through FY 2007/2008 for the four projects, to coincide with anticipated design and construction schedules. The remaining balance of \$192,463 will be retained in the Downtown Public Improvements Project for unspecified downtown purposes, including possible matching funds. Per Council direction made at the June 7, 2005 Public Hearing, the Downtown Public Improvements project balance will be reduced by \$20,500 to fund the FY 2005/2006 operating costs for the Murphy Avenue Tree Lights Maintenance project.

Special Projects

Special projects recommended for the Redevelopment Agency Fund in FY 2005/2006 are:

- **Redevelopment Plan Project Area Special Studies:** This project provides for the study and analysis of development-related issues to encourage or implement redevelopment projects in the downtown area. Efforts include but are not limited to: architectural studies and reviews, land planning, economic/market feasibility, parking analyses, and financial analyses to implement redevelopment in the downtown. \$25,000 is budgeted for each year from FY 2005/2006 to FY 2007/2008 in anticipation of redevelopment of the Town Center and Town and Country Village areas.
- **Downtown Development Economic Analysis-Keyser Marston Associates:** This project will fund continuing economic analyses of potential downtown development as needed. The project will fund the analysis of developer proformas and financing strategies and the negotiation of real estate transactions in the downtown area, such as the Town and Country site. The project has been programmed in the RDA Fund in the amount of \$50,000 in FY 2005/2006.
- **Outside Counsel Services for RDA:** This project will fund needed outside legal services for the Redevelopment Agency over the next three years. Because of the increasingly complex nature of negotiations surrounding the downtown redevelopment, a special project was funded to track outside counsel services and costs. It is anticipated that significant outside legal services will be needed over the next two years to deal with the Town Center Mall project and other potential development projects in the downtown area. Future projects may involve assistance on relocation agreements for sites such as the Town and Country. The project has

been programmed in the RDA Fund in the amount of \$50,000 in FY 2005/2006, \$25,500 in FY 2006/2007, and \$26,010 in FY 2007/2008.

Transfers

Two transfers are programmed in the Redevelopment Agency Fund. The transfer to the Employee Benefits Fund is the transfer of budgeted salary savings for the enhanced retirement benefit costs associated with RDA staff. The transfer to General Fund is for the services of the Agency's Treasurer and the Murphy Avenue Tree Lights Maintenance project.

Reserves

The Redevelopment Agency Fund maintains one reserve that reflects Debt Service Reserve Funds held by the trustees for the two outstanding bond issues mentioned above. An additional reserve for Capital Projects accounts for funds that are programmed for various projects being completed over a multi-year period.

Low and Moderate Income Housing Fund

Finally, it should be noted that the Redevelopment Agency is currently unable to make payments of 20% of its tax increment revenues to the Low and Moderate Income Housing Fund because of preexisting debt obligations. Each year, the Agency calculates the contribution that should have been made and books it as a liability in its financial statements. It is currently estimated that when the tax increment cap is reached the liability will total approximately \$19.4 million. This is slightly higher than the prior year estimate of \$19.2 million due to an accounting adjustment. In prior years the housing liability was calculated based on tax increment revenues net of the ERAF cost. In preparing the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004, it was determined that the correct methodology is to calculate the liability based on the gross tax increment revenues. State law allows the Agency to continue collecting tax increment after the Project time and increment limits are reached to fund its housing liability. Repayments of the Housing liability are anticipated to begin in FY 2027/2028.

The FY 2005/2006 Redevelopment Agency Budget Adoption Resolution is included in Attachment A of this Report to Redevelopment Agency.

FISCAL IMPACT

Adoption of a budget for the Redevelopment Agency for FY 2005/2006 will authorize appropriate expenditures to be made as outlined in this report.

CONCLUSION

The Sunnyvale Redevelopment Agency is required to adopt an annual budget. It is recommended that the Agency adopt the FY 2005/2006 budget as outlined in this report.

PUBLIC CONTACT

Public contact was made through posting of the Council agenda on the City's official notice bulletin board, posting of the agenda and report on the City's web page, and the availability of the report in the Library and the City Clerk's Office.

ALTERNATIVES

- A. Adopt the budget as recommended above.
- B. Adopt the budget in an amount other than recommended.

RECOMMENDATION

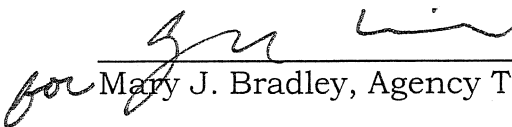
It is recommended that the Agency adopt Alternative A.

Prepared by:

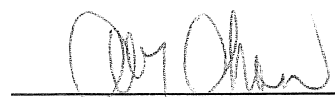


Charlene Sun, Management Analyst - Budget

Reviewed by:

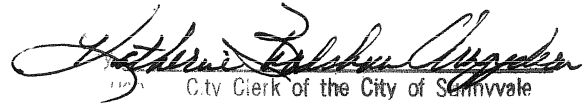

for Mary J. Bradley, Agency Treasurer

Approved by:


Amy Chan
Executive Director-Secretary

Attachments

- A. FY 2005/2006 Redevelopment Agency Budget Adoption Resolution


City Clerk of the City of Sunnyvale

RESOLUTION NO. 107-05 RA

**A RESOLUTION OF THE REDEVELOPMENT AGENCY OF
THE CITY OF SUNNYVALE ADOPTING THE BUDGET OF
THE REDEVELOPMENT AGENCY FOR FISCAL YEAR
JULY 1, 2005 TO JUNE 30, 2006**

WHEREAS, the proposed budget of the Redevelopment Agency of the City of Sunnyvale for the fiscal year 2005-06 was prepared and submitted to the Redevelopment Agency by the Executive Director on May 23, 2005;

NOW, THEREFORE, BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SUNNYVALE THAT:

1. The budget of the Redevelopment Agency of the City of Sunnyvale for the fiscal year beginning on July 1, 2005, and ending on June 30, 2006, as submitted to the Redevelopment Agency by the Executive Director on May 23, 2005, is hereby approved and adopted as the budget of the Redevelopment Agency for the fiscal year 2005-06.


2. A copy of the budget hereby adopted, certified by the Secretary of the Redevelopment Agency, shall be filed with the Executive Director or designated representative. Copies of the certified budget shall be made available for the use of departments, offices and agencies of the Redevelopment Agency of the City of Sunnyvale.

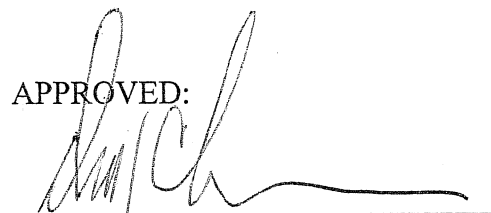
Adopted by the Redevelopment Agency of the City of Sunnyvale at a regular meeting held on June 21, 2005, by the following vote:

AYES: LEE, HAMILTON, FOWLER, CHU, SWEGLES, HOWE
NOES: NONE
ABSTAIN: NONE
ABSENT: MILLER


ATTEST:

APPROVED:


Clerk, Redevelopment Agency
(SEAL)


Chair, Redevelopment Agency

APPROVED AS TO FORM AND LEGALITY:


David E. Kahn, Redevelopment Agency Counsel

